



Annual Adjustments & Cyclical Reassessment

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Outline

- Assessment Date and Valuation Date
- Annual Adjustments
- Sales Screening
- Statistical Measures
- Foreclosures
- Cyclical Reassessment



Assessment Date and Valuation Date Relationship

- The assessment date and the valuation date are both March 1st of a given year.
- Real property is valued taking into account its physical characteristics and condition, and the market in existence on the assessment date.
- This value is trended to reflect the property's market value-in-use on that date.
- “What would a potential buyer have paid on the assessment/valuation date for the property as it physically looked given the market conditions that existed on that date?”



Appeals Process

- The taxpayer/Assessor must explain how the evidence relates to property's market value-in-use as of the valuation date.
- The taxpayer appeal must establish a “prima facie” case proving both:
 - the current assessment is incorrect; and
 - what the correct assessment should be.
- However, if the assessed value increased over 5% from the previous year, the burden of proof is on the assessor.



Ratio Study Submission by County

- It is strongly recommended that the county conduct an internal ratio study **before** submitting values to the Department.
- The County should forward a copy of the ratio study to the Department.



No Change for Change's Sake

- Under the Annual Adjustment process, the Assessor does not need to change the assessment of every property every year.
- They should only adjust assessments when:
 - there is a “clear indication based on market evidence” that valuations no longer meet assessment level and uniformity standards, or
 - there are “significant physical changes” to property.



Sample Size

- Neighborhoods must have five (5) or more sales if the sales comparison approach is used.
- If commercial/industrial improved properties have limited number of sales (e.g. less than five sales in strata), the county must use cost information from sources such as Craftsman, income data, Multiple Listing Service (MLS) data, etc.



Period From Which Sales are Drawn

- The County Assessor shall use sales of properties occurring during a time period as short as possible and, ideally no more than 14 months before the March 1st assessment date (e.g. Jan. 1, 20xx – March 1, 20xy).
- A longer period may be required to produce a representative sample for each class within the county.



Property Characteristics

- Need to be updated continually in response to changes brought about by new construction, new parcels, remodeling, demolition, and destruction.
- The most efficient way of doing this involves the use of building permits.



Rental Properties

- For rental properties with one (1) to four (4) units, the Gross Rent Multiplier approach should be used to adjust valuation.
- The resulting workbook values should reflect this value.



Adjustments to Sales Price on Sales Disclosure Form

- Adjustments must be documented on the sales disclosure form (e.g. personal property, seller paid points, etc.).



Sales Screening

- Sales used in the ratio study must be Screened to ensure they reflect market value-in-use of the real property transferred.



Sales Screening

- Every arm's length, open market sale that appears to meet the condition of a market value-in-use transaction must be included in the ratio study *unless*:
 - Sales data are incomplete, unverifiable, or suspect; or
 - It fails to pass one or more specific tests of acceptability in the *Standard on Ratio Studies*.



Sales Screening

- The county should take position that all sales are candidates for ratio study...
...unless **“sufficient and compelling information”** can be documented to show otherwise.
- No “cherry picking” will be permitted.
 - Occurs when assessors regard only sales that closely match assessed values as valid.



Ratio Study Statistical Measures

- The Level of Assessment (Median) must fall between 0.90 and 1.10 for any class of property.
- The Coefficient of Dispersion (COD) standard for improved residential property will be 15.0 or less.
- Income producing property, vacant land, and other real property will have a CD of 20.0 or less.



Ratio Study Statistical Measures

- The Price Related Differential (PRD) must be between 0.98 and 1.03.
- If there are less than 20 sales in a particular township or class of property, the Spearman Rank test will be relied upon to determine if vertical equity has been met for stratum.



Confidence Intervals

- The Range within which one can conclude that measure of population (such as median ratio) lies.
- The Department uses a 95% confidence interval.
 - Median may be 0.88, which is outside the International Association of Assessing Officers (IAAO) Standard
 - But a 95% interval may range from 0.83 to 0.96
 - Since the median could be 0.96, it will be accepted
- Assessors do not need to calculate the confidence interval, but rather these will be automatically calculated by the Department using SPSS software.



Outlier Ratios

- Either very low or very high ratios when compared with other ratios in sample.
- Results from an erroneous sale price, non market sale, incorrect data on the Property Record Card, etc.
 - Subject to scrutiny to determine if it is a valid sale.
 - All trimmed outliers need to be reported.



Multiple Parcel Sales

- Transaction involving more than one parcel of real property.
- The Assessor needs to determine whether parcels are contiguous and whether the sale comprises a single economic unit or multiple units.
- Any multiple-parcel sale that involves multiple economic units generally should not be used in ratio studies.



Time Adjustment of Sales

- If sales are used prior to Jan. 1 of the year prior to the March 1st assessment date, these sales may have to be time adjusted.
- There are various methods available to determine if an adjustment is necessary:



Time Adjustment Examples

- Paired Sales analysis
- Local realtor information
- Information from appeals
- Information from local appraisers



Foreclosures

- Care should be given to determine if these sales should be used.
- The IAAO has published a couple of position papers on the issue of foreclosures.
- Bank foreclosures and subsequent re-sales of previously foreclosed properties may be disregarded when they are a rarity.
- Bank re-sales must be considered when they become significant or predominant, as in many current markets.



General Concepts of Reassessment

- **Purpose:** To produce accurate and uniform values throughout an assessment jurisdiction and across all classes of property.
- **Place:** Real property is assessed at the place where it is situated. Per IC 6-1.1-2-4 (b) and (c), real property is assessed to the person liable.



Cyclical Reassessment

- Starting July 1, 2014, the State will begin the process of a “cyclical reassessment.”
- The basic premise of cyclical reassessment is to apportion reassessment activities, including the inspection and updating of parcels and parcel characteristics in an assessment jurisdiction, over a four-year period instead of the familiar twenty-month timeframe. This will allow reassessment work and expenses to be spread more consistently and predictably over a longer period of time, facilitating better assessment practices.



Cyclical Reassessment

- **The following are the effective dates for the cyclical reassessment:**
 - July 1, 2013: The county assessor must submit the cyclical reassessment plan before this date.
 - March 1, 2014: The Department must review and approve the plan before this date.
 - July 1, 2014: The reassessment of the first 25% of the parcels within each property class within the county starts.
 - March 1, 2015: The reassessment of the first 25% of the parcels must be completed.



Cyclical Reassessment

- July 1, 2015: The reassessment of the second 25% of the parcels within each property class within the county starts.
- March 1, 2016: The reassessment of the second 25% of the parcels must be completed.
- July 1, 2016: The reassessment of the third 25% of the parcels within each property class within the county starts.
- March 1, 2017: The reassessment of the third 25% of the parcels must be completed.



Cyclical Reassessment

- July 1, 2017: The reassessment of the fourth 25% of the parcels within each property class within the county starts. Note: IC 6-1.1-4-4.2 (a) states the county assessor must submit a cyclical reassessment plan “before July 1 of every fourth year thereafter.” Hence, the county assessor must submit the plan for the next four year cyclical reassessment before this date.
- March 1, 2018: The reassessment of the fourth 25% of the parcels must be completed.
- July 1, 2018: The reassessment of the first 25% of the parcels within each property class within the county for the next four year cyclical reassessment starts.



Land Values

- The county assessor shall determine the values of all classes of commercial, industrial, and residential land (including farm homesites) in the county using guidelines determined by the Department. The assessor determining the values of land shall submit the values to the County Property Tax Assessment Board of Appeals (PTABOA) by the dates specified in the county's cyclical reassessment plan.



Land Values

- If the County Assessor fails to determine land values under the deadlines in the county's cyclical reassessment plan, the PTABOA shall determine the values. If the PTABOA fails to determine the values before the land values become effective, the Department shall determine the values.
- The County Assessor shall notify all Township Assessors in the county (if any) of the values. Assessing officials shall use the values determined.



Land Values

- A petition for the review of the land values determined by a County Assessor may be filed with the Department not later than forty-five (45) days after the County Assessor makes the determination of the land values. The petition must be signed by at least the lesser of:
 - (1) one hundred (100) property owners in the county; or
 - (2) five percent (5%) of the property owners in the county.



Land Values

- Upon receipt of a petition for review, the Department:
 - (1) shall review the land values determined by the County Assessor; and
 - (2) after a public hearing, shall:
 - (A) approve;
 - (B) modify; or
 - (C) disapprove; the land values.



Examination of Buildings

- The Assessing official may, after first making known his intention to the owner or occupant, enter and fully examine all buildings and structures which are located within the township or county and which are subject to assessment.



Physical Inspection

- Accuracy of property characteristics data is an essential element in developing accurate assessed values.
- Accuracy is typically checked by selecting a sample of properties and having property characteristics data collected again by a supervisor or deputy assessor in the County Assessor's office.



Physical Inspection

- Property characteristics data must be updated in response to changes from new construction, new parcels, remodeling, demolition, and destruction.
- All property characteristics must be inspected and verified during a visit to the property.



Assessment Contracts

- Assessing officials may hire:
 - (1) deputies;
 - (2) employees; and
 - (3) qualified, certified professional assessor-appraisers.
- The County Council is required to appropriate funds necessary for employment of deputies, employees, or technical advisors.



DLGF is Party to Contract

- The County Assessor may hire professional appraisers as technical advisors for assessments in the county.
- The Department may approve employment of a professional appraiser only if Department is party to the employment contract and any addendum to the employment contract.
- A county's decision to conduct reassessment work without the assistance of a vendor is subject to the approval or denial of the Department.



Standard Contract Provisions

- The County Assessor may not use the services of a professional appraiser for assessment or reassessment purposes without a written contract.
- The contract used must be either the standard contract developed by the Department or specifically approved by the Department.



Standard Contract Provisions

- The Department is required to develop a standard contract or standard provisions for contracts to be used in securing professional appraising services.
- The standard contract or contract provisions must contain:
 - A fixed date by which the professional appraiser or appraisal firm shall have completed all responsibilities under the contract;
 - A penalty clause under which the amount to be paid for appraisal services is decreased for failure to complete specified services within a specified time;
 - The appraiser must make periodic reports to the County Assessor;



Standard Contract Provisions

- the manner in which, and time intervals at which, periodic reports are to be made;
- the stipulation of what service(s) are to be provided and what class or classes of property are to be appraised;
- the contractor will generate complete parcel characteristics and parcel assessment data in a manner and format acceptable to LSA and the Department;
- A provision stipulating Legislative Services Agency (LSA) and the Department have unrestricted access to contractor's work product under the contract; and
- the Department is party to the contract and any addendum to the contract.



Standard Contract Provisions

- The Department may devise other necessary provisions.
- The Department may develop:
 - (1) one (1) or more model contracts;
 - (2) one (1) contract with alternate provisions; or
 - (3) any combination of the two.



Notice of Assessment

- When the Assessor assesses/reassesses any real property, they must give notice to the taxpayer, by mail, of the amount of assessment/reassessment (e.g., Form 11).
- During a period of general or cyclical reassessment, each township or county assessor shall mail the required notice of assessment within ninety (90) days after the Assessor:
 - completes the appraisal of a parcel; or
 - receives a report for a parcel from the professional appraiser.



Reassessment Fund

- The County Auditor shall establish a property reassessment fund.
- The County Treasurer shall deposit in that fund all collections resulting from property taxes that the county levies for the county's property reassessment fund.
- The Department may raise or lower the property tax levy for a year if it determines it is appropriate because of the estimated cost of the general (cyclical) reassessment; or making annual adjustments has changed.



Example Work Plan

- A work plan establishes key dates or benchmarks for work to be completed, ensuring the timely completion of the cyclical reassessment.
- Start with end first and work backwards.
- Benchmarks should be realistic and obtainable.
- The County Assessor must submit the cyclical reassessment work plan to the Department before July 1, 2013.



Contact the Department

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